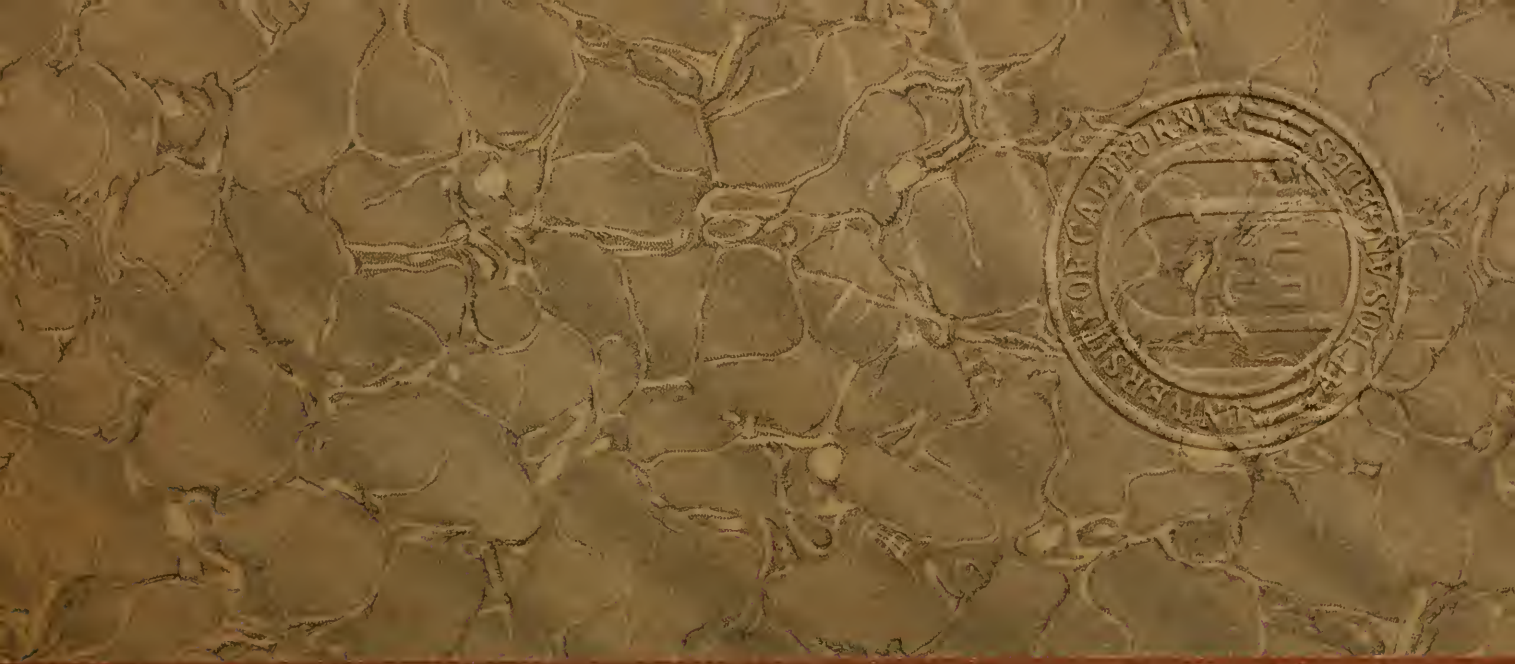

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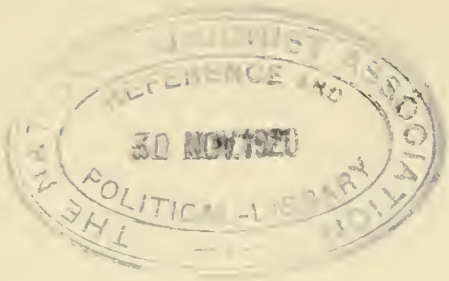

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INTRODUCTION.

To prove that the appointment of a competent and non-party Commission to inquire into our present position in connection with National Insurance is urgently demanded in the interests of the nation is the first object of these pages, and those who are not convinced of this might do well to consider the reasons which are advanced in the first article. To disprove the assertion that a voluntary system is now impracticable, and to dispose of the "insuperable difficulties" which have been propounded, form the second, and it is to this purpose that the articles numbered III. to VI. are chiefly devoted. The third, and perhaps the most important, is to give a clear impression of the great advantages which are to be gained by a revision on the lines of help without compulsion, and of the proposals which would be laid before the Commission by those who believe that by adopting freedom and elasticity as the guiding principles, instead of coercion and rigidity, that which is in many ways a failure could be converted into a complete success.

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A BRIEF STATEMENT OF THE PROPOSAL.

It is proposed that all the assistance voted, whether drawn from the taxpayers or from the employers, should be carried to one Central Fund of State Insurance; and that (after providing the sinking fund necessary to discharge the initial debt of about £86,000,000) the whole of this Central Fund should be applied in paying part of the cost of all approved insurances.

The subsidies would discharge a part of the *premium* in each case, and not, as the State now does, a part of the *developed cost*, and they would be paid directly to the Societies which complied with the prescribed regulations. These regulations would be confined almost entirely to the submission of their promises and of their accounts to actuarial and audit review.

HARDING

Each Society would be mutually governed, and would be free

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to apply its funds in the ways best suited to the needs of its members, or to make different offers to different groups of members. Each insurer would thus be free to select the measure and the nature of the insurance he takes up. Only insurances of "permanent" nature would be recognised—for it may be assumed that the Voluntary System would not encourage annual divisions or lump sum payments any more than the present scheme does.

As it is part of the proposal that the help offered should be at least as liberal as that now given, every insurer could have the right to retain his present privileges. He would also be able to take up a different insurance of like cost, or to take up an insurance of smaller cost or of higher cost. The amount of the subsidy would vary with the amount of the contribution, but it is probable that the scale selected would be such as to give more help to the poor than to the well-to-do, *e.g.*, by making the proportion of subsidy rise from half the cost at the upper limit to three-quarters of the cost in the case of the smallest contributions.

The offer would not be limited to the 13½ millions who are now insured, nor to the 15 millions who come within the complicated and arbitrary definition of "employed persons" which the present Act has set up; it would extend equally to all the 20 million earners below the present income limit, and it might also offer help towards appropriate insurance to the 7 million wives of working men who are not actually earners (Article IV.).

There are strong reasons for believing that the change would lead to an increase rather than a decrease in the number of insured persons, and a practical certainty that it would bring us nearer to a full enrolment of those who need, and can benefit by, the insurance. The assumption that it would greatly reduce the numbers is, indeed, opposed to all the evidence which experience has to produce (Article IV. and Appendix). This is a matter of the greatest importance, because a great majority of the arguments which are used against the proposal depend upon this unsupported assumption, and because these arguments are all turned against the advocates of compulsion when it is shown that the voluntary system may be expected to achieve as great or greater success in bringing in those who need insurance.

A.—The Material Advantages.

TO THE INSURERS.

1. *It would make an equal income produce far greater benefit,* because—

(i.) It would cut down the drain of administrative costs which at present threaten to absorb at least a quarter of the total income. Simplicity means economy, and the voluntary system has enormous advantage in regard to simplicity; coercions and restrictions being the costliest things which can be introduced into any insurance system. The present Act has gone out of its way to set up a duplicate set of health authorities throughout the country, and has thereby cast upon each insurer's fund the cost of supporting two insurance offices instead of one.

(ii.) It would give greater benefits by reason of the better actuarial experience which it produces. It could give 15s. sick-pay where the compulsory system gives 10s.; and it could provide its allowances from the first day, instead of from the fourth, in every case of illness. This greater power of voluntary insurance is firmly established by actual experience and by *all* the experience which bears directly on the matter. The reasons which make it so much more advantageous to the insured are given, and the fallacies which underlie the contrary assumption are exposed (Articles II. and V.). It will be seen that the assertion that the benefits would go down, when, in fact, they would go up, has neither experience nor sound reason to support it.

2. *It would give to each the insurances of which he stands in greatest need.* A fixed insurance, regulated in every detail by the wisdom of a few, may do this in some cases, but an insurance with a large range of options does so in all cases. Perhaps the greatest of the material advantages are those which are to be gained by allowing the Societies to direct the application of their funds, and each insurer to select the offer which suits him best. It is not too much to say that for millions this doubles the value of the benefits, and that for hundreds of thousands it converts loss into gain (see Article II.).

3. *It would increase the security and give financial stability.*— It is the attempt to impose uniformity which makes the promises of the present Act unreliable: its "minimum benefits" are, in fact, its average benefits, or a close approximation thereto, and it is already apparent that there will be numerous cases in which far less than this average will be realised.

It is only by centralising the financial responsibility that a uniform scale can be attained; and this, in the case of sickness insurance, is admitted to be impracticable. The voluntary system would adopt the only sound plan—that of submitting all the offers to the best actuarial review.

4. *It would offer the great advantages of graduation.* Nowhere, not even in Germany, has such rigid uniformity been imposed. Those who want more than the little doles, which the fourpenny contribution now produces, have to take up a separate insurance, which is subject to all the risks of the past; those who really cannot afford as much as 4d. a week have to get on as best they can. And, worst of all, those who are frequently out of work, and, therefore, unable to maintain the necessary number of contributions, are to get no weekly allowances, although the full 4d. will be exacted whenever they obtain any work.

The voluntary system would make it easy for those who are earning good wages to obtain a safe insurance in reasonable proportion to their earnings, and it would offer adequate sick pay to those who can only keep up an average payment of one penny a week.

5. *It would convert what is now a tax into a voluntary premium.* Although this is an advantage of a moral rather than a material order, it is one which millions of self-respecting men and women value very highly.

6. *It would distribute the proceeds of taxation with even-handed justice.* This cannot be said of a scheme which (upon its own valuation) gives 9d. for 4d. to one workman and 8d. for 7d. to another whose needs and claims are at least as great. It is surely unjust to give to the chimney sweep less than an eighth of the help which is given to the bricklayer or to the women who earn their living by washing or sewing exactly one-tenth of the help which is given to those who earn wages? The straining effort to make compulsion popular is solely accountable for this unequal treatment, and though extra millions are voted each year not a penny is directed to adjusting this difference — all goes in the attempt to buy off opposition to compulsion.

TO THE EMPLOYERS.

Even if we assume, as perhaps we must, that a tax upon employment would be retained as one of the sources of subsidy, it is quite certain that the voluntary system would make this tax less

onerous and remove all its irksome and objectionable incidents. It would also open the door for reconsidering its incidence and making it more just. (Article III.)

Instead of demanding 700 million payments in each year, of which separate accounts have to be taken by the societies, by the employers, and to a certain extent by the Insurance Commissioners, it would simply ask for an annual (or quarterly) payment from each employer, and these payments would be carried to a single account instead of to fifteen million separate accounts. This is one of the ways in which it would reduce labour and cost without injury to any interest.

Every employer would see the offer of an insurance, considerably better than the present, extended to all his employees, and the obligations upon him, whether they be moral or contractual, would be correspondingly reduced. There is nothing to prevent him from making a rule that all his employees are to insure, as many good employers have done in the past.

It has been contended that it would give an unfair advantage to the uninsured in the labour market. This is the reverse of the fact. It would restore the premium upon the employment of insured persons which was destroyed by the Act of 1911, and it would remove all the annoyances and disadvantages attaching to the compulsory card system (Article III.).

TO THE TAXPAYERS.

If the voluntary system gave rise to an immediate increase in the number of insurers, as it might well do, the charge upon the Exchequer would be increased for a few years, but the financial provisions of the present Act are such that no amount of success in extending the advantages of national insurance beyond the present limits could result in more than a temporary increase of the commitment (Article II.).

A revision on voluntary lines would give the taxpayers much fuller value for their money, and it may also be assumed with some degree of certainty that it would give them sound instead of unsound finance. It would not lend itself to any repetition of that complicated financial jugglery whereby a present-day administration has relieved itself, and perhaps its immediate successors, of a fair share of the cost by casting a heavy burden of compound interest upon all the future (Article I.).

But of far greater importance is the relief which it would bring from the appalling risk of being saddled with the liability for deficiencies—a liability which is inevitably created by what is regarded as an implied guarantee that no society shall distribute less than the "minimum" benefits prescribed by the Act. We are already face to face with this risk of immeasurable commitment; in spite of all protestations that such a thing was impossible, Parliament is being asked this year to vote the first of untold millions for the purpose.

TO THE FRIENDLY SOCIETIES.

Theirs is the greatest gain of all. Payment by the State of half or more than half of every premium would in itself double or treble their former membership, as smaller help has done in other countries, and it would give them willing in place of unwilling members.

Their independence would be restored and they would be free to design their own lists of benefit, instead of being controlled at every turn and told how every shilling is to be spent. It is thus, and thus alone, that the true spirit of mutuality, the pride in success and the individuality, which have been their life-blood in the past, can help them to a wider and greater usefulness in the future.

There would be no need, unless they chose to do so, to continue the useless complication of a statutory and a non-statutory side. They could extend to all their offers the enormous strength, which will in time attach to the insurances which are submitted to the valuation and the audit which the State provides, and could clothe their contracts with a guarantee second only to that of the State itself; and they would be able to do this without incurring any interferences other than those which are wholly in their own interests.

No doubt many of the officers of the societies who have laboured since 1911 to adjust their arrangements to the new order which the law has prescribed, will regret the wasted work. It is only those among them who are capable of the broadest outlook who can be expected to look on calmly while much of this work is undone. But these are temporary and small considerations which should not weigh, and it must be remembered that the new change would not be one which would make them embark again on untried seas.

TO THE INSURANCE COMPANIES WHICH ARE INTERESTED.

These great corporations will soon recognise the fact that they stand to gain both in the quality and in the extent of their clientèle. They would lose those of their present members who refuse to accept a useful insurance at less than half its cost and those who cannot afford, or cannot maintain, the contributions at present prescribed. Obviously this would not mean *any* loss of connection with those from whom they can hope for other insurance business; and a weeding out of those who add most to the cost of administration, both in regard to the collection of contributions and the payment of allowances, would be a clear gain to them on the statutory side.

That they would actually gain a larger number of members than they lose is very certain, and the reason is one which it is hardly necessary to point. The change would open out the whole field of *option*, and this means for them successful competition for the insurance of those to whom the varied advantages to be obtained by additional insurances would most strongly appeal (Article VI.).

TO THOSE WHO SUFFER FROM CONSUMPTION.

It is now recognised by supporters of the present system of compulsory insurance, as well as by others, that nothing but harm has resulted from mixing up our campaign against this scourge with the insurance of the working classes. No success can attend the campaign if it is in any way confined to the insured, and there is no possible excuse for making those who are compelled to insure pay a part of the cost of a service which is extended without charge to those who are not insured.

The sums provided out of the insurance funds are hopelessly inadequate for the needs of the insured, even when their families are not included; and without the help of the funds provided for this service by the rating authorities the position of the insured would be worse than that of the uninsured. It is not easy to explain why sanatorium treatment ranks as one of the benefits provided by the Insurance Act: the colloquial expression—window dressing—may perhaps be applicable, but, be that as it may, the compulsory deduction from the fund of each insurer, which it

involves, is certainly an injustice, which the voluntary system would remove.

Much waste and harm result from dividing the control of the service between the Health Authorities and the Insurance Authorities. There is no advantage in having some of the available beds labelled "for the insured" and others "for the uninsured." The dual management and the separation of funds result in nothing but extra expense, delay, and friction. Where the Health Authority proposes to confine its attention to the uninsured (as in London) the Insurance Authority raises strong objections, and the fallacy of the "insurance benefit" is made apparent. It is obvious that this service would gain in efficiency by the simplification of control which the voluntary system would secure.

TO WOMEN.

The fixed and practically immutable insurance of the present Act is more frequently and more completely inappropriate in its application to women. The risks to which they are exposed differ greatly from those which threaten men, and the several classes of working women need totally different forms of insurance. The neglect of these facts has made the present insurance useless to a majority of the women and a failure in regard to the remainder, as is shown in the seventh of these articles.

In every case without exception more than a third of the available fund is compulsorily appropriated for a medical benefit which, in a large proportion of the cases, is totally useless. This is undoubtedly true of hospital nurses, of many of the upper grades of employed women, and of those who have hitherto had medical attendance at the cost of their employers.

Considerably more than half of the remaining fund is devoted to sick-pay, although a majority of the women who are now compelled to insure received full pay during all ordinary sickness in the past (see page 41).

The insurance which a great majority of the women who earn their own living need above all others is practically neglected, viz., help to convert their savings into a useful provision for the years when they can no longer earn.

Where the present insurance does provide benefits which are useful, it has already been shown to be a financial failure; and this

is entirely due to the compulsion and rigidity of the scheme (see pages 42 and 43).

The little that is done for the widows is done at the cost of the unmarried working women. This is but one of a series of inexcusable injustices which result from attempting to regulate all the details of this complex social reform in a few weeks of heated Parliamentary debate (see p. 40).

TO THE MEDICAL PROFESSION.

It is the attempt to impose a fixed contract price upon the medical treatment of about three-quarters of the earning population which has made the present medical benefit a failure from every point of view. (Article VIII.)

It is resented by a majority of the doctors, because they object to being dragooned into giving contract service to millions who have hitherto paid them reasonable fees and are able and willing to do so now, and because it is degrading to their profession and opposed to the advance of medical science. But they have shown that they would lend themselves willingly to any reasonable arrangement for providing a proper medical service for those who cannot afford to pay fees.

It gives a miserably inadequate service to the insured—far inferior to that provided in other countries at equal cost, and a mere mockery of the hopes which were held out, and indeed of the promises which the Act itself contains.

It absorbs a third of each insurer's fund : none can escape this drain, though millions refuse to avail themselves of the "benefit."

Although it takes a third of the money available for the insurance of the poor it makes no appreciable change in their position, for it leaves them still dependent upon the poor-law medical system or upon charity for more than half of what they need.

It is the worst conceivable system for protecting the funds of the societies, for it sets up a direct inducement to laxity in the granting of certificates of unfitness for work.

It has made the administrators of the Act invent an odious system for excluding all but the cheapest medicines—the panel doctor with 2,000 names on his list gets an extra £50 a year if he can keep his chemist's bills to an average of 1/6 a year.

By admitting elasticity in the arrangement of this benefit, and by a careful study of the valuable experience which has been gained

in Germany and elsewhere by over thirty years of experiment and careful comparison of results, these evils could all be avoided (see Article VIII.).

WHO WOULD SUFFER BY THE CHANGE?

1. *The overloaded panel doctors.* Some of the doctors, who have devoted themselves to contract work, are at present reaping a harvest, but it is reaped at the expense of their patients and of other members of the profession. The panels include less than half of the medical profession, and it is only some of those who are on the panels who are gaining a good income from the work, for it needs over 2,000 insured patients to produce a net income of £600 a year.

2. *Those paid officials whose present work serves no intrinsically useful purpose.* Our legislature, ever mindful of vested interests, would be careful to provide compensation in those cases where useful work is not found. Every mistake in legislation involves this temporary loss.

By no possibility could any insured person suffer a material loss; for the option to retain the existing privileges could and no doubt would be open in every case, and in every case a better insurance would be available.

There remains the argument that compulsion is a moral benefit to some, but the man who refuses an insurance which he needs and can afford, when it is offered at half or a quarter of its cost, must be improvident indeed; and we must not make the mistake of assuming that this is true of more than a small minority of those who are now unwilling insurers: compulsion is the reverse of a benefit to those who object because the insurance offered is not the insurance which they want, to those who cannot afford or cannot hope to maintain the contributions, and to those who resent being compelled by law to do what they have always been ready to do of their own free will.

Is it right or reasonable to rob the more deserving majority of the greater advantages which might be theirs, or to make life still harder for the struggling poor, in order to bring in those who need compulsion? Surely we should not ruin the system for the worthy in a hopeless effort to extend it to the unworthy—hopeless, indeed, for compulsion never has and never will make the improvident thrifty or the dependent self-reliant.

B.—The Moral Advantages.

So far this summary has dealt only with the material advantages of the proposed revision, but those which arise on the moral side are incomparably more important. It would need more space than this pamphlet contains to do justice to this side of the question, the main points of which are set out in the latter part of the first and in the fifth of these articles.

Compulsion sets up influences which are destructive of elements of character which tell for the happiness and the material well-being of a nation. The voluntary system would not simply remove—it would *reverse* these influences.

Here lies the urgency of the demand for inquiry and for revision. We have failed to study the experiences of other nations and to profit by the lessons which they teach. It is not too late to do so, but we cannot afford to wait, for the harm will be irreparable.

C.—The Test of "Cui Bono?"

Where do we find advocates of compulsion? Only (i.) among the paid agents of "the new industry" and (ii.) among those who are not themselves directly concerned or in danger of being coerced.

The working men and women themselves are opposed to it, with a unanimity which has seldom been equalled in connection with any legislative question (any who doubt this statement can put it to the test), and the great majority object for reasons which deserve consideration :—

(i.) They have learnt to regard insurance as a means whereby those who are ready to help themselves can avoid the risk of falling upon the parish or upon charity, and they have been led to expect that the State proposed to give assistance, but they did not want this assistance forced down their throats.

(ii.) They naturally object to seeing their system of mutual help degraded into a substitute for the Poor Law and they do not wish to have the thriftless and the wastrels forcibly drafted into their clubs.

(iii.) They resent being deprived of all voice as to how their funds are to be spent and they are not persuaded that Parliament is the best judge of what they individually need or of what each can afford to pay.

I.—THE EVILS OF COMPULSION AND DISTRUST.*

Compulsion figures in nearly every provision of our National Insurance Act, which is founded throughout upon the most profound distrust of the working men and women whom it is designed to benefit and of their societies. Although it applies to a nation which holds by far the highest record in regard to willingness to insure without assistance, it proceeds upon the assumption that not only help but compulsion was needed to make the people provide against a rainy day and secure themselves and their families from falling on the rates. A better knowledge of the industrious and self-respecting workers who constitute the bulk of the British nation might have spared them this insult. But obligatory contribution is by no means the worst of the compulsions which this Act imposes, as will be seen if we consider the four which are cited below :—

1.—COMPULSION AS TO THE SPENDING OF THE MONEY.

It is here that distrust has surpassed its own records of folly. The designers of our law assumed that they knew better than the working men and women how each shilling should be spent, and they have even refused to allow the societies a voice in the matter. It is Parliament which has been made to settle every item to the uttermost detail, fixing the sum which is to be paid in every case, the day from which it is to start and the day when it is to cease. The Friendly Societies—those fine old institutions of mutual help, which know the needs of each group of workers and are governed by the wishes of their members—are robbed of all their independence; all their vitality and *esprit de corps* and all their beneficent influence is being drained away, and in time they will simply be the agents of a bureaucratic system charged with no higher duties than distributing the allowances it prescribes and giving effect to the restrictions and regulations it imposes. It is useless to refer to the words of the Act which create an impression that a measure of independence is left, for they have already been proved to be empty words and nothing more. It is useless to point to that one concession to liberty which was extorted at the eleventh hour (Section 13), for it is so constructed that it is, and will probably remain, a dead letter. And even the power to suggest how surplus funds are to be spent will be an empty privilege for most of the societies, for, as things stand, the hope of a surplus is for the few, and not for the many; and there are influences at work which will in time make deficiencies, reductions of sick pay, or extra levies the fate of most of the insurers.

If free choice had been allowed to rule in this matter alone, millions of workers would have been saved from seeing their own contributions, and the large sums voted for their help, spent in ways which were of no benefit to them. The millions who draw

* Articles marked with an asterisk are reprinted from the *Morning Post*.

their full wage during ordinary sickness would not have had to see the fund, which could have secured for them good pensions from the time when age or invalidity puts an end to their earning power, spent in providing sick pay for others. The hospital nurse, and many who are otherwise provided for in regard to medical treatment, would not have had to see more than a third of their insurance funds spent on providing an inferior medical benefit. The man, whose chief anxiety is as to how his family will be left if he is taken from them, would not have had to see the fund, which could have lifted this cloud completely, devoted to matters with which he was quite able to cope. None would have had to regret the terrible inroads upon the available funds which compulsion inevitably involves, with its costly and useless interference and inquisitions. None would have suffered, as thousands have suffered, the loss of privileges far more valuable to them—the loss of better sick pay or of better medical treatment than that which is given by the Act. As a leader of the Independent Labour Party has put it, this Act "does in a wasteful way the work which does not need to be done, and it leaves undone the work which is loudly calling for attention."

2.—COMPULSORY EXCLUSION.

Compulsion succeeds in bringing into insurance just about half of the twenty-seven million persons who are entitled to the assistance of any scheme which deserves to be called "national"; and the selection which it has made is of a purely arbitrary character (see Article IV.). Some six million workers under the income limit remain in fact unhelped by the Act, also seven million wives of working men. There is compulsory inclusion for the one half, and for the other half, what is far worse —compulsory exclusion from participation in the help which is provided. It is true that the present Act has a voluntary side into which many of the other half are invited to enter, but it has failed so completely that it may be left out of account. This voluntary side recognises the fact that the breadwinner who is not "employed" is also in need of insurance, and that the hundreds of groups whom we may class for want of better name, as "independent" workers, should be included. And the great fact that the wife of the worker, who may one day be his widow, and who is herself a worker in the true sense of the word, has a claim upon the funds which the nation votes for medical aid and for help in times of need, did dawn as an afterthought upon the designers of our law, but it has received only feeble recognition.

It is but a mockery of help which the nation now offers to one-half of its workers: the fable of 9d. for 4d., which gilds the insult of coercion for the other half, does not apply to them: the actuarial reports of the Act show that the independent worker has his contribution of 7d. a week increased by only one penny on the average; and, when put to practical test, the offers of the voluntary side will not bear comparison with those which are avail-

able outside. Many independent workers can now obtain for about 5d. from a sound society an insurance of as great or greater value to them than that which the Act offers them for 7d. The numbers enrolled on the voluntary side are the most eloquent testimony of the truth of these statements, and the estimates of the Act foretell a decrease, not an increase, in these numbers. Our compulsionists may argue that 99 per cent. of these persons have given proof of their improvidence, and of the importance of compulsion, by refusing their proffered help; but some other explanation of the abject failure of the voluntary side of the Act must be found, for millions of these persons are to-day insured on voluntary lines, though not by the help of the National Insurance Act: it may not be a good insurance which they have obtained without assistance, but it is proof that they are not improvident.

Even if we take the present help at its own valuation, what justification is there for offering 9d. for 4d. to the engineer and 8d. for 7d. to the village blacksmith, or for giving 8d. for 3d. to the woman who goes to the mill and 7d. for 6d. to the woman who takes in washing or sewing? Can any explanation be found for this unequal distribution of the proceeds of taxation, other than the desire to make compulsion palatable? Each session Parliament is being made to vote further millions to be spent upon attempts to bring the benefits of the forced contributors up to the promised minimum; not a penny of this money ever goes to adjust this inequality or to remove the great injustice to the millions who have been arbitrarily placed outside the pale. The people can judge for themselves whether desire for their well-being and for justice have guided these efforts: they can see only too plainly how the hope of gaining popularity has degenerated into a feverish effort to buy off opposition. By starting upon the unsound principle of compulsion for these and exclusion for those our legislators have stumbled blindly into wholesale injustice greater than any which has ever been perpetrated.

3.—COMPULSION AS TO THE MEASURE OF INSURANCE.

Our votaries of uniformity have in their wisdom imposed a flat rate of contribution and a fixed rate of "benefit" upon every class of insurer; those who want more have to take up a separate insurance to obtain it, and those who can only afford a smaller contribution have to get on as best they can. Apparently they regard the millions who come below the income limit of the Act simply as a mass of human beings with equal needs and equal desires, and have never learnt that below this limit there are far wider social distinctions and far greater diversities of means and of needs than in the class to which they themselves happen to belong. The clerk and the caddie, the matron and the match-girl, were alike to them. For one group they decided to transfer a further part of the cost to the employer, but this doubtful boon by no means removes the trouble created by the rigid contributory clauses which are, as Mr. Bernard Shaw puts it, "so thoughtlessly cruel, so wickedly unjust, so enormously

stupid." There are many thousands who are struggling against hunger and cold to whom the weekly fourpence means the loss of a loaf or of a little firing; after making these poor ones more hungry or more cold, our Act tells them to go to the panel doctor.

Freedom to all to decide what measure of insurance they can afford, combined with a subsidy which covers a larger part of the cost in the case of the small benefits than in the case of the large, is the best that national insurance can do, for pure charity is outside the sphere of insurance, and it is unfair to the other insurers to charge it upon their funds. And, combined with this freedom, there should be full opportunity for upward graduation; ten shillings a week may be an ample, or even a too tempting, rate for sick pay for some, but it is certainly an inadequate dole for many.

4.—COMPULSORY CHARITY AT THE COST OF THE INSURERS.

National insurance starts with a deficiency of about eighty-six millions sterling voted to enable those of the present generation who have passed the proper age for entry to participate in the insurance of the Act. The sinking fund for this deficiency is being provided at the cost of the younger insurers by a compulsory deduction of a penny and five-ninths from each weekly contribution of fourpence, and the State subsidy at present amounts to a promise to make good the loss at a later date by paying what the penny and five-ninths would have produced. But the State should fairly shoulder this gift, which it has voted, and for which it takes full credit. If it were provided, as it obviously should be, without any interference with the contributions or the subsidies, a clean sweep would be made of all the marvellous financial complications of the present Act, which make it impossible for any but an expert to assess the true value of the present insurance.

The only result attained by these needlessly complicated provisions, which may fairly be described as a piece of financial jugglery, is that the Exchequer is relieved for a few years of its proper share of the cost of fulfilling its part of the contract, and pledged in later years to a far greater charge—an unlimited charge—which will for ever grow even though the population ceases to increase. This is a necessary reform, which sound finance absolutely demands, and not until it is made is it possible for the insurers to form any clear impression of the value to them of the assistance which is given. A good scheme of voluntary insurance would make the sinking fund, necessary to discharge this grant within the period during which its benefits are enjoyed, a first charge on its central fund, and would make the State subsidy a straightforward addition to the contributions, just as the employer's subsidy now is.

INFLUENCES UPON NATIONAL CHARACTER.

Apart from these considerations, which so intimately concern the needs, the well-being, and the contentment of the people, there

are far greater and far more urgent reasons for reconsideration and for revision on voluntary lines. They are reasons which make it imperative in the interest of the nation that we should not wait to see the fruits of compulsion and distrust grow ripe. Influences have been set up which war inexorably against thrift, against individual initiative, and against the spirit of independence, and which threaten to destroy many of the most virile elements of national character, and to debase public opinion, until the open vaunting of successful fraud supplants the sense of honour and the mutual trust which the old Friendly Society system did so much to foster. These great facts can be proved to demonstration by the experience of every case in which these principles have been followed.

Thrift cannot be engendered by compulsion; but help without compulsion is the strongest of all incentives to its development. The payment of a voluntary contribution is an act of thrift, and the membership of a voluntary society is testimony of its success; but no proof of success in the fostering of thrift is given by a parade of the value of the stamps which have been sold, or of the numbers who have submitted to deductions when the whip of the law was held over them, and over their employers if the tax be not well collected. A system which strangles the Friendly Societies with bureaucratic control and destroys all the pride which the members took in the good work of their Orders and Lodges removes the chief agents for the propagation of thrift, of the spirit of true mutuality, and of other things noble and good. It was not under compulsion that the people of this country gained that spirit of independence which has made them struggle against poverty rather than accept rate aid, nor was it coercion which made the poor charitable to the poor.

Distrust is the parent of dishonesty. A fund built up by compulsion and administered by distrust has only its paid agents to protect it from those who are ready to try to get back as much as they can: men and women otherwise honest are actually willing to boast of how they have drawn more than was fairly due out of an allowance fixed by Act of Parliament. That which is regarded as a State fund or as a public purse stands to be shot at, and public opinion applauds good shooting; but an altogether different feeling existed in regard to the funds of the Friendly Societies, whose members were trusted to administer their own affairs and allowed to take a pride in their work; long membership without drawing on the club was a thing to be proud of, and to be detected in claiming what was not properly due was a thing of shame.

Experience has clearly proved that compulsion, accompanied by central regulation, robs the industrious and honest insurer of a full third of the sick pay which a voluntary system would give him; but still more deplorable than this is the moral degradation and the perversion of public opinion which it involves. Each year of compulsion pulls down what it may take a generation of effort to rebuild.

II.—A PRACTICAL IMPRESSION OF WHAT VOLUNTARY INSURANCE MEANS.*

If the proposal to substitute a voluntary system simply emanated from a desire to relieve those who do not like the present Act from the obligation to insure, it would deserve to be regarded as a mere bid for the votes of the objectors. But such is by no means the case: the proposal has far sounder and far stronger reasons behind it.

It is of the first importance in the interests of those who are most directly concerned, and of the nation generally, that the question of revision should be lifted out of the arena of party strife, and that it should be dealt with by statesmen who can open their minds to the facts and arguments advanced by those who have gone deeply into the subject with other than party motives to impel them. The first, and the most urgent, demand is that a competent and impartial Commission should inquire into the whole subject, and consider where reform is needed.

THE CHIEF AMENDMENTS.

Voluntary insurance would make no arbitrary selection as to which of the workers are to be helped and which are not; while compelling none, it would exclude none of the working men and women who are all equally entitled to its assistance. To all the twenty million workers who are below the present income limit, and possibly to others, it would make an offer of help at least as liberal as that now given. It would not be an offer of 9d. for 4d. to one and 8d. for 7d. to another, but a fair and impartial offer which paid no regard to the manner in which the living is earned, and imposed no penalty on independent work. Broadly speaking, we may assume that it would take the form of paying to the society selected by the insurer from half to three-quarters of the cost of any reasonable insurance he may select up to a limit at least as high as the present limit. It would not detract from the value of its help by imposing any useless regulations as to how the money is to be spent; and it would avoid the hardships which a compulsory flat-rate of contribution is bound to inflict, by allowing each contributor to insure according to his means. If the weekly contribution only amounted to the smallest coin of the realm, subsidy could be added, and some insurance could be given. And to the seven million wives of the workers who are not earners, though they certainly deserve to be included as workers, it could also offer a special insurance subsidy to meet the stronger, but different, claims which they make upon the funds which Parliament votes—the claim to medical aid and the claim of widowhood.

This is a form of assistance which all men and women can clearly understand, and which none but the utterly improvident

could neglect. Those who find the present insurance benefits as well suited to their needs as any they could select would be able to retain them, and they would also be able to obtain some increase, such as sick pay during the first three days of each illness, because the available funds would be relieved of the waste at present imposed by a uselessly complicated and costly system of administration and supervision, which even in some of the best managed societies makes one pound go for administration for every three pounds which go in benefit.

THE SUBSIDY.

The subsidy of a voluntary system would be paid out of a Central State Insurance Fund, and it would, of course, vary with the contributions. It is hardly likely that it would be in fixed proportion to the contribution, *e.g.*, fifteen pence added to each shilling contributed, for there are two considerations which make it desirable to vary this rule. In the first place it is probable that a larger proportion of help would be given to those who can only afford to make small contributions, and that the help would be limited to a fixed amount in cases where insurances of high value are taken up. And in the second place it would probably be thought advisable that this fixed limit should be higher in the case of insurances which cover the needs of a family or of a married couple than in the case of single insurers. There is nothing impossible, or even difficult, in regulating the scale of subsidy in such manner as to accomplish these objects, or in guarding such a scale against misuse.

It is possible, without any risk of raising false hopes, to give a definite idea of the measure of help which a voluntary scheme could provide, for it is safe to assume that no reduction would be proposed in the aggregate amount of assistance which the taxpayers and employers are called upon to provide, though some redistribution of these charges may be made. A central fund supported by such levies could relieve the insurers of all charge in connection with the sinking fund, and could at the same time pay half the premium of any satisfactory insurance which can be obtained at a cost equal to that of the present insurance; where a lower insurance is taken up it could pay more than half the cost, and the proportion of help could rise until in the smallest cases three-quarters of the cost was covered; where a higher insurance is taken up the subsidy would not increase; but where the insurance included benefits for the insurer's wife the payment of half the premium could be extended to a higher limit.

It is by no means suggested that this is the best or the only proposal for regulating the subsidies which would have to be considered, and it is only put forward here to give a more complete and practical impression of what voluntary insurance means. If the change to a voluntary system brought about an immediate in-

crease in the number of insurers, the Exchequer commitment would be larger for a short span of years; but, even though the success of voluntary insurance be much greater than that which is expected of the compulsory scheme, this increase would only be temporary. If less than fifteen millions enrolled, the State could afford to increase the limits of its subsidies or to reduce the burden placed on industry.

THE PROPER LIMITS OF CENTRAL CONTROL.

It is necessary, of course, that a certain amount of State control should accompany the subsidies paid out of State funds, but it may be assumed that a wisely-designed voluntary scheme would limit this control to actuarial and financial supervision sufficient to secure the insurers from unreliable offers, from insolvency of the insuring agency, and from misapplication or misuse of the insurance funds; and that, apart from this supervision, which is as necessary in the interests of the insurers and of their societies as of the State, all the initiative and all the management would be left to the societies and to their members. Probably central regulation would be advisable in regard to a few special matters, *e.g.*, it might be thought to be desirable to limit or even to prohibit the provision of funeral money or of lump sum payments at death at the cost of the subsidised funds. But the fewer the restrictions the better and the more successful will the insurance be; and it is quite certain that such interferences as the regulation that sick pay shall not begin until the fourth day of each illness or incapacity would be quite impossible in any good scheme of voluntary insurance.

THE GREATER POWER OF A VOLUNTARY FUND.

There are four great causes which all tell strongly to make the power of voluntary insurance to help its members greater, with an equal income, than that of a compulsory system. In the first place there is the difference between a fund spent as the law directs and a fund spent as its members wish—the one may sometimes cover the risks which threaten, the other always does; in millions of cases this difference is enough to double, or far more than double, the value of the benefits. Secondly, there is the fact, of which proof will be given at a later stage, that a society which has only willing members on its books can, with the same income, afford to pay much higher benefits than a society which has many unwilling members. The third reason is that a system which admits graduation never imposes a strain which detracts from its benefit or harms those whom it is intended to help, but allows complete adjustment upwards or downwards to fit the means and the needs of each insurer. And the fourth reason is that the drain upon the total fund to cover costs of management is far less in the

case of a voluntary system; there is already the strongest evidence that a very large waste results from the vast increase in salaried staffs and from the useless complications of a compulsory system —coercion and restrictions are the costliest things which any insurance agency can attempt to handle.

ADVANTAGES TO THE INSURERS.

A voluntary system, based upon these principles and supported by levies no greater than the present, would for the first time provide a chance of taking up the insurance which is really needed in millions of cases in which temporary sickness does not put a stop to the salary or wage and therefore is not the matter which calls most strongly for insurance aid. In most of these cases the years after power to earn has ceased, which may come soon or may come late, are a risk against which no adequate provision can be made by unaided efforts. And there are many cases, apart from those in which the earnings continue, where temporary sickness can be provided for well enough by the little reserves which can be compiled, and where premature invalidity, or the arrival of the time when competition with the young will no longer be possible, are the clouds which national insurance should take in hand to lift; these are clouds which press more closely on the woman than on the man.

Voluntary insurance, with its free choice and its liberty of graduation, would bring sick pay equal to two-thirds of the ordinary earnings within easy reach of all. It would give to the married man who can pay sixpence or eightpence a week power to add to his own allowances, substantial support for his widow or orphans, and medical attendance for his family. It would provide for the first time for the maidservant, the nurse, and many another woman a safe and profitable means of applying her savings in such manner as to secure an income in later life and a good insurance for widowhood if she marries. None of the insurers would have to see their funds drawn upon by others for insurances by which they themselves can seldom if ever benefit.

To the youngest of the earners it could offer very special attractions. The early contributions have very much greater value in providing insurance benefits, and there is probably no time when contribution can be made so easily as in the earliest years of earning. Entry at fourteen instead of sixteen might free the contributor from any payment after the age of fifty or thereabouts. A very moderate increase in the early payments might halve the contribution after marriage. The young could secure good pensions for themselves and support for any dependents they may leave by payments so remarkably small in comparison to the advantages gained that this best and most profitable of all efforts of thrift might gradually extend as years went on; the provident

parents, and especially those who had benefited themselves, would be inclined to start their children on this good enterprise, and the children of the improvident would perhaps be warned in time. Surely the subsidy of national insurance should be specially directed to encourage the truest of all acts of thrift, instead of refusing any assistance to those who wish to make a start in their best insurance years.

SIMPLIFICATION.

Simplicity means economy, and freedom has enormous advantage over compulsion in the matter of simplicity. A voluntary scheme would be simple to enact and simple to control. It would not require pages of Statute and numerous regulations to define the persons who are to be included, and the persons who are to be excluded, and far more numerous pages and regulations to define what the benefits are to be and how they are to be administered. It would not waste its funds on setting up a duplicate set of health authorities throughout the country. It would not waste its funds on prosecuting unwilling contributors or exacting penalties from employers who resent being made to play the part of tax-collectors. And it would not need to inquire into what men earn and how they earn it.

The actuarial and audit staffs which have been appointed would be needed, and the former would have larger and more important functions to perform than at present. But the vast amount of energy which is at present expended upon regulating every transaction in the minutest detail from the central offices would be saved, and the work of the Commissioners would be confined to more important matters. As a result we should have greater efficiency and less irritation and delay.

RESTORATION OF A SOUNDER SYSTEM.

A system of help without compulsion would allow voluntary initiative and mutual organisation to continue their beneficent work on the good old lines in an atmosphere of freedom and trust. There would be the enormous incentive of a State subsidy which paid more than half of the premiums, and this, combined with the attractions of free choice in regard to the nature and to the measure of the insurance taken up, might be relied upon to extend the sphere of usefulness and the number of members beyond the present limits.

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III.—THE EMPLOYER'S CONTRIBUTION.*

The advocates of compulsion have made it abundantly clear by their recent speeches and writings that their neglect to consider the advantages of a system of *help without compulsion* is to be attributed to their failure to grasp the great possibilities of that system, and the simple way in which the "insuperable difficulties," which they have imagined, disappear when the matter is properly studied. The insuperable difficulty which has apparently impressed them most is that which concerns the employer's contribution. Mr. Winston Churchill, who was the first to attack the proposal to submit to a competent and impartial Commission the question of whether compulsion or free choice is best for the nation, assured his audience at the Alexandra Palace on the 17th of November, 1913, that with a voluntary system it is "absolutely impossible" to avoid one or other of the following:

1. Confining the employer's contribution to those cases in which the workman elects to insure, which would mean that some employers would say, "We are not engaging insured persons."

2. Making the employer's tax a voluntary payment, which would mean that he decides whether his workmen are to have the advantages of the subsidised insurance, and that the taxpayers' contribution is the only compulsory payment.

3. Abolishing the employer's contribution and (*a*) cutting the benefits down to "half" their present level, (*b*) adding 3d. a week to the workman's contribution, or (*c*) raising a further £9,000,000 a year by other taxation.

Other compulsionists, including Mr. Lloyd George, have flourished voluntary insurance before their audiences as impaled upon this fork of fantastic alternatives. It is evident, therefore, that the framers of our compulsory scheme have never given thought to the plan of *subsidising voluntary insurance out of the proceeds of ordinary taxation, assisted by a special tax upon employers;* and yet it is a very simple plan, which raises no administrative difficulty comparable with that of assessing and collecting an income tax or supervising the stamping of sixty million quarterly or thirty million half-yearly cards.

THE EMPLOYMENT TAX.

Those who maintain that our insurance system should be voluntary are not called upon to defend the imposition of this tax upon employers. It has been imposed, at the per capita rate of 13 to 26 shillings a year, and, good or bad, they recognise that it must remain. All that they hope to do in regard to this new burden upon industry is to make it less onerous, to remove the needless irritations, and to reduce greatly the complications and

the mass of detail work and consequent expense which it imposes. The change to voluntary insurance clearly justifies an all-round abatement, because the "employed" persons would not all be insured, and because other taxation should provide the whole subsidy for those insurers who do not work for employers. This would probably reduce the present 13s. tax to a 10s. tax, or to its equivalent, if some other basis of taxation be adopted; and, apart from this reduction in face value, industry would be relieved of the clerical and supervision work, which adds an integral percentage to the cost.

It would be altogether outside the scope of this article to discuss how this tax would be most equitably assessed; that is eminently a matter into which a competent and impartial Commission should inquire. If number employed is found to be the best basis, the assessment in respect of all regular employment would be a very simple matter, and there would be no insuperable difficulty in framing rules to govern the further amounts payable in respect of casual employment and part-time employment respectively. But other suggestions will have to be considered, *e.g.*, profit as a basis of assessment in industrial employments.

THE PRESENT PREMIUM ON CHILD LABOUR.

The present system of collecting this tax places a premium upon the employment of child labour, as no contribution is exacted in respect of those who are under the age of sixteen. It is highly improbable that this injurious distinction would be retained in a voluntary scheme. Complete exemption from contributions after the age of sixty would be much more worthy of consideration; in the first place, because it would cause a much smaller loss to the insurance funds, and, in the second place, because it would tend to increase the opportunities of employment which are open to the old. The one exemption would be no more difficult to operate than the other, and, whereas the one is opposed to the interests of national development, the other tends only to improve the position of those who, in spite of age, are ready, if may be, to support themselves.

A VAST SIMPLIFICATION.

Instead of calling upon the employers to make about 700 million payments each year, each relating to an individual insurance, and instead of booking these payments, after the necessary examination, to 15,000,000 individual accounts in blocks of about 25, it would only be necessary to call upon each employer to make one payment each year (or four if he prefers), and to carry all to one account. This vast simplification alters the whole scheme of things. The employer has no longer to make any payment in

respect of any individual insurance; he simply pays his straightforward tax just as an income taxpayer does, and just as any of the other taxes which have to be raised for insurance or pension purposes are paid He pays this tax, which is assessed in a gross item for each year, and calculated upon such basis as is found to be most equitable, and it is a tax in support of the common fund of national insurance.

All those whom he employs would have the opportunity of taking up insurances of much greater value to them than what they now have, and at no greater cost. It would be the employer's own fault, to a large extent, if many of his workpeople neglected this chance. If the abstention from insurance was due to the fact that the employer had made other arrangements for providing the benefits which insurance can give, he would naturally obtain relief in respect of his contribution to the common fund under provisions and conditions somewhat similar to those which are at present in force.

A TOTALLY WRONG CONCEPTION.

There is absolutely no foundation for the suggestion that voluntary insurance places a premium on the employment of the uninsured, or that it has any tendency to give undue power to the employer or to cause trouble of any kind between employer and employed. Quite the reverse is the fact—it would give to each employer a strong inducement to engage the insured : this happy position existed before 1911, but it vanished with compulsion. It is the compulsory card system alone which has ever made insurance a source of difficulty to those who are in search of work.

It is passing strange that the mind of the compulsionist reformer has never even admitted the conception of this simple scheme of help without compulsion. His arguments in regard to this matter of the employers' contribution, and in regard to other matters, show with what shallow study of the great problems of this subject, and of the character of the people whom he sought to benefit, this great plunge into coercion has been made—a deeper plunge than any which had been made elsewhere. This gives to some extent the answer to that poignant question—Why did we never try what help without compulsion could accomplish.

IV.—THE PROBABLE NUMBER OF INSURERS.*

Compulsionists assert that no voluntary system can be anything like as successful as coercion in bringing in those who need insurance. Some allege that less than half the present number will remain insured, and even the more reasonable among them give it as their opinion that only about eight millions will be left. But the facts, the figures, and the results of experience which are given below show very clearly that a liberally-subsidised and well-designed voluntary scheme would enrol as many, if not more, members than the compulsory system can ever hope to bring in, and it is with this firm belief that the advocates of help without compulsion press for a change.

Those who have not studied the question naturally accept the view that compulsion must of necessity cover the ground more completely; and it is only right to mention that much of the knowledge on which the contrary assumption is founded was not available to the members of the House of Commons when, in 1911, they almost unanimously accepted Mr. Lloyd George's assurances that careful inquiry had proved compulsion to be the only principle by which anything like the desired membership could be attained. Even he might have hesitated if his careful inquiries had brought to light the facts and figures which are given below.

THE LIMITS OF COMPULSION.

The sphere of compulsion is necessarily confined to those cases in which an employer can be successfully compelled to act the part of tax collector. It now brings in less than 30 per cent. of the population, and it will take some years before 15,000,000 are insured. There are about 12,000,000 other workers who stand in at least as great need of insurance, and have at least as great a claim to help—viz.: (1) The bread-winners who are not wage-earners, numbering at the present time, all ages included, fully 2½ millions. Many hundreds of groups are included in this class, and nearly all of them have as great a claim to insurance aid as those who earn a regular salary or wage. The present scheme expected to bring in as voluntary contributors 40 per cent. of these persons; but it has brought in only 1 per cent., and the actuaries show that the numbers are to be expected to decrease rather than increase. This complete failure of the voluntary side of the present Act is simply due to the fact that it makes an offer which does not bear comparison with the offers of the unaided insurance agencies, by which a large number of these persons are now insured. (ii.) The wives of the workers, who are not themselves wage-earners, to the number of about seven millions. They are not in the same need of sick pay as their husbands, and there are reasons of great weight why the funds provided for their insurance should not be so applied; but they are equally in need of the medical

insurances, and the risk of widowhood, or, rather, of widowhood without power of self-support, creates a call for insurance aid more unanswerable than any. No good system of voluntary insurance could neglect the claims of the wives, widows, and orphans as they are now neglected. (iii.) Wage-earners under the age of sixteen to the number of 1¼ million. This group may not be in need of immediate benefit, but failure to bring in the young is by no means the least of the blots on the present law. A good voluntary scheme would make special efforts to attract them, because early contributions go many times as far as late contributions in producing insurance benefits, and in no period of life can they be so easily spared. (iv.) Those who work at home for parents or other relations. There are probably not less than a million of these persons who are not brought in by the present compulsory system.

WHERE COERCION FAILS.

It is far from right to credit to compulsion, as persons in need of insurance and effectually insured, the whole of the fifteen millions who will in the course of a few years be classed as insured persons. This total includes (i.) those who did not need the particular insurance given, *e.g.*, persons already provided with better sick pay or medical attendance, to some of whom it has meant the loss of these greater benefits; (ii.) those who cannot properly afford the fixed contribution of fourpence a week; (iii.) those whose employments are too irregular to maintain the insurance in the face of rules which cut off all weekly allowances when the average contribution falls below a prescribed level. (N.B.—The evil day when these rules must operate, and when hundreds of thousands will find their allowances cut off, has been postponed, and again postponed, and no adequate excuse has been offered for this obvious bid for temporary popularity.) In regard to each of these three groups compulsion fails, or does far worse than fail; and when these necessary deductions have been made, it is clear that the present system neither gives, nor has any hope of ever giving, insurance to more than half of the 27 millions to whom insurance help should be extended.

THE PROPER WAY TO APPROACH THE PROBLEM.

Our problem is not simply how many of the 15 millions will stay in, but also how many of the other 12 millions will come in. Is the total to be taken at eight millions, as the compulsionists say, or at double that number? This all-important estimate is not a matter to be decided by guesswork founded upon partial consideration, or by rough impressions formed in the light of the present opposition to a system of coercion which applies not only to the raising but also to the spending of the money; there are a

number of ways in which a proper use of experience can help us to form a more reliable estimate.

1. The first question to investigate is how many of the 27 millions have already given proof of willingness to insure in one form or other without help. We must not here confine our attention to the registered membership of the permanent friendly societies, viz., 4½ millions in 1905, as the total for that date would be more like seven millions if all the insurances (other than death policies) which were provided by dividing societies, trades unions, unregistered clubs, employers' funds, etc., were included. Nor should we neglect the death policies, of far greater number, where we are concerned in estimating the total number who have displayed an inclination to insure. Of course, in using these figures liberal allowance must be made for duplications, but nevertheless they establish the fact that a very large proportion of the 27 millions did insure without help and without compulsion. Can there be any doubt that these persons would accept the offer which a voluntary scheme could make, viz., opportunity to take up a useful insurance at less than half its cost, and with security such as did not exist before? And what of those who have previously used savings bank deposits (numbering 13 millions) or other little reserves as provision for a rainy day; would not the offer of a bonus of 125 per cent. and of a higher rate of interest divert part of these savings to insurance contribution?

2. The experience of other countries provides conclusive evidence of the enormous influence which subsidy possesses as an incentive to thrift, and of how much more powerful this incentive is when it is not accompanied by compulsion. Instances could be cited in which the addition of a subsidy has immediately raised the membership to several times its former numbers, but it is a comparison of German and Danish experience which bears most directly upon national health insurance. In Denmark voluntary subsidised insurance has enrolled over 27 per cent. of the entire population (or 41 per cent, if we take account of the fact that the children of the insured are included—see Appendix), whereas the latest statistics of compulsory sickness insurance in Germany show only about 22 per cent., and our wider compulsion (including the voluntary side) less than 30 per cent. And it is important to note that the inducement which we should be able to offer would be something like three times as great as the Danish subsidy, which is equal to an addition of about 5d. to each contributed shilling. French experience gives a marked illustration of the far greater incentive power which subsidy possesses when it is freed from compulsion.

3. We have experience of our own which is more limited, but still more conclusive—that of the large employers who have offered to bear half the cost of providing age and invalidity pensions, which, be it noted, is a more remote form of insurance than sick

pay and medical aid. Their staffs have been unanimous, or nearly unanimous, in agreeing to pay the other half of the cost, although it has meant in thousands of cases a deduction of more than 4d. a week from a weekly wage of 30s.

4. It is to be remembered that the new offer would not be a stereotyped list of benefits regulated in every detail by Parliament or by law-making Commissioners. Subject to certain reasonable limitations it would be the exact insurance which each contributor desires to take up. And it would be a graduated insurance—not one which demands fourpence a week or nothing. Thus, even among the 15 million forced contributors it would succeed in a large number of cases where compulsion fails.

5. It must be admitted freely that the period of compulsion in which we have been involved would, in one way, operate for the greater success of a voluntary scheme. There are probably some among the 15 millions who can afford contribution but do not possess sufficient initiative to impel them to the active step of entering upon subsidised insurance, and some of these might hesitate to take the active step of discarding the assistance already acquired.

THE MOST PROBABLE ASSUMPTION.

The advocates of voluntary insurance are convinced that an extension of the offer to all who need insurance accompanied by the grant of free choice, would extend rather than reduce the present membership, and that, when the willing have replaced the unwilling, National Insurance will have attained a much nearer approximation to its ideal membership. They regard the eight millions suggested by the compulsionists as nothing more than a thoughtless and unreasoned statement, like unto many others made in argument where the exigence of controversy—we will not say the wish—is father to the thought.

The point of greatest importance is that nearly every argument which has been advanced in favour of compulsion becomes an argument for freedom when these thoughtless assumptions are corrected. All that has been said about societies being rendered insolvent by loss of members, about the financial and actuarial basis being destroyed by wholesale withdrawals, and about the failure to bring in those who ought to be brought in, becomes argument for the voluntary plan, when the true position in regard to this question of numbers is appreciated.

V.—THE GREATER ACTUARIAL STRENGTH OF VOLUNTARY INSURANCE.*

A voluntary system of national insurance can provide sick pay of fifteen shillings a week where a compulsory system with the same income is struggling in vain to pay ten shillings.

This astonishing fact depends upon no conjecture, but is more firmly established by experience than any other fact in connection with national health insurance. It is not founded upon the experience of five years in one large Friendly Society, like the actuarial estimates of our present Act, but upon the experience of national insurance itself in the most appropriate cases which can be cited, and covering periods of over 20 years, and it is possible to support it by a mass of other evidence. Germany provides by far the best statistics in regard to National Health Insurance upon a compulsory and subsidised basis. In Denmark a voluntary subsidised system has been in existence for 20 years, and its statistics are equally good, for although they relate to a much smaller nation they cover a greater proportion of the population than the German system includes. At the outset the Danish sickness experience rather exceeded the German; but it has shown a tendency to decline, whereas in Germany there has been a rapid and continuous increase. For the past ten years the most strenuous efforts have been made in Germany to check this increase; it has been by far the most absorbing topic at their medical and insurance congresses, and a vast amount of thought has been given to it, as is proved by the official reports and by the literature on the subject; but the official statistics which are given in the appendix show that the German experience now exceeds the Danish by about 80 per cent. for men and by about 100 per cent. for women, and this is but another way of stating the important fact with which this article opens.

THE UNFORESEEN INFLUENCES OF COMPULSION.

It is the *growth* in the sickness experience under a compulsory law which claims the attention of actuaries, and this growth, it may be noted, is not so much a matter of the number of sickness claims as of their duration. We in this country are already concerned over the evidence which is accumulating that it was unsafe to base the estimates of a compulsory system upon the experience of the old voluntary system, and that the funds will prove in many cases to be insufficient to provide the promised benefits. If this be the case to-day, how will it be with us 20 years hence? We shall then have learnt, as Germany has learnt, that it is too late to avert the disastrous consequences which are inseparable from compulsion and State control.

In these early days, while we are still unhurt, there is nothing so important in the affairs of this nation as a full appreciation of

the inexorable and relentless working of the unforeseen influences which are set up by a law founded upon the principles of compulsion and distrust. Each year they tell with increased force until they destroy, not only the financial stability of National Insurance, but also the most vital elements of national character. Our own experience is still unformed, and we would be wasting our most precious time if we were to wait for it to develop when it is possible for us to learn these all-important lessons from the experience of others. Health insurance built upon compulsion and distrust is a positive menace to the public health, capable of sapping the physical stamina of a nation; this is no longer a ridiculous paradox but a living fact to those who have studied its actual working.

HOW THE INFLUENCES OPERATE.

A writer in the "Edinburgh Review" of July, 1913, gives convincing proofs of how these unforeseen influences operate against sickness or accident insurance as soon as compulsion and State-regulation step in. The article establishes the fact that in every case new nervous diseases, far slower recoveries, insurance hysteria, unnecessary or fraudulent claims, and open pride in successful dependence on the public purse begin to show themselves soon after this change, and describes the operation of these disastrous influences as follows:—

"The Friendly Societies of the past made a strong appeal to the honour, to the sense of justice, and to the public spirit of their members. They, in fact, invoked the powerful assistance of the public opinion of the classes they served. This public opinion made dishonesty of claim, idleness won by deception, weak yielding to nervous or hysterical disorder, or slothful dependence on club money or on the labour of a wife things of shame, not things to laugh at or to flaunt. . . . Men never boasted among their fellows of the sums they had managed to draw from their lodge or their club—the mere suggestion that they could descend to claim more than was due would be resented.

"Contrast with this the pride in idleness won at the cost of the public purse, or in the length of holiday pay which has been gained by deception, the 'Rentenempfanger' printed on the card, and the brazen flaunting of successful frauds, which are laughed at or applauded by public opinion where it is 'the allowance of the Act' which stands to be shot at. Let us give honour where honour is due, and realise fully how the qualities of character fostered in the people by the noble system of voluntary mutual help protected them and preserved the nation from the evils which we now have reason to dread. We can ill afford to destroy these national bulwarks.

"Once coercion and statutory regulation take the place of voluntary initiative, entirely different influences are set up and

the tendencies of public opinion are reversed. . . . The Friendly Society of the past said to its members: 'Join our Lodge; if you are strong and fortunate you will help your fellows; if you become weak or unfortunate they will help you; you will join with them in regulating how the common fund shall be applied.' The Act which deals with compulsory insurance, whether for sickness or accident, says: 'You and your employers shall pay what Parliament bids you pay and you may get what you can in return; we pit our regulations and inquisitions against your ingenuity and your efforts to finger the contents of this public purse.'

"To the popular mind the 'allowance of the Act' or the sum granted 'by the State' is fair prey. Some few may appreciate that in the long run their approved society or their industry may be injured by false claims, but the possibility of harming fellow members has been made too remote and too complicated, both in the case of sick-pay and of accident-pay, to affect public opinion, especially when the sick-pay is announced to be the 'minimum' and an impression is thus created that the State will make good if the Society cannot pay. . . .

"The State may in some matters legitimately subsidise voluntary effort, but it must not coerce, nor can it with advantage prescribe, the form which the assisted insurance of each individual shall take. That is work for which each particular organisation, which knows the needs of its members, must be responsible. No greater mistake could be made than that of asking Parliament to settle a specific and a uniform list of benefits. The egregious folly and the untold waste involved in this are already being learnt; in time we shall be more concerned with results which are as yet less apparent. . . ."

UNWARRANTED ASSERTIONS.

This reasoning, supported by the figures of 20 years of actual experience, makes a very strong case in support of the contention that the voluntary system possesses much greater power to help, and that the forcible inclusion of unwilling members tells heavily against the material as well as against the moral success of National Insurance. And yet there are advocates of compulsion who are ready to assert that the abolition of coercion would be the ruin of the societies. Some go so far as to allege that the rate of claim upon the sickness funds would be doubled, or more than doubled, and that as a consequence the allowances would have to be cut down to half, or less than half, the present scale. They contend that the young and healthy would neglect insurance if it were voluntary, and that only the older and less healthy members would be left. But these assumptions are based upon individual impressions of how voluntary insurance might work, and are opposed to all the facts which the records of its actual working have established.

It is the young whom voluntary insurance has enrolled in the past, and it is quite certain that entry would tend to become earlier and earlier under the influence of a system which brought the offers of the societies under the review of Government actuaries. This change would place a considerably higher premium upon early entry than that which has hitherto existed, for it would give the full actuarial value to early contributions in every branch of the insurance. Many societies in the past have erred on the side of allowing the minimum rate to apply where an increased contribution was actuarially demanded; some have allowed the minimum to apply to all entrants under the age of twenty-five or even thirty, but for some forms of insurance the contribution required from those who enter at age sixteen is less than half as great as that which is necessary when entry is made at the age of thirty. The limited subsidy would also enhance the inducement to enter early, for the man who waited till the premium of the insurance he requires has risen from 8d. a week to 1s. a week would find his contribution doubled and not merely increased by 50 per cent.

The assertion that voluntary insurance would enroll a less healthy membership than compulsory insurance is opposed, not only to the teachings of experience in this and other countries, but also to the opinions expressed after very careful consideration by the expert advisers of the Government in connection with the present Act. They thought it necessary to add 10 per cent. to the sickness rates shown by our most reliable voluntary records in order to arrive at the probable rates for a compulsory scheme, and they did this in spite of the fact that a very important part of the sickness formerly included was not to be covered by the Act—viz., the first three days of every illness.

This baseless assumption that the young and the healthy would neglect insurance and refuse the proferred help displays a fundamental distrust in the working classes, and is an insult to the intelligence and to the character of the people. It is an assumption that they are incapable of seeing or of learning for themselves the simplest facts of the position, and that their hands must be forced and their money spent for them under the wiser guidance of these social reformers. In point of fact, the working man has shown in the past, and is now showing, a far clearer and fuller appreciation of the facts than any which has been shown by these self-constituted guides, whom they may safely challenge for a particle of evidence in support of their insulting assumptions. The men who argue thus in support of compulsion and distrust are ready to pit their ignorant impressions against all the weight of actual experience and to sacrifice the interests of the Friendly Societies and of the honest and industrious majority upon the altars of the gods which they worship—Uniformity, Rigidity, Solidarity.

VI.—THE PROBLEM OF THE THRIFTLESS.*

Many regard compulsion as a necessary thing because it is the only means of bringing into insurance a number of persons who really need its assistance. It is true that there are such persons who are now insured, and who would not be insured if free choice were granted; but it is most important to have a correct impression of the probable number of whom this is true and of the value to the nation of forcing them in. We must not over-estimate the advantages which it confers on them or under-estimate the harm which it does to the other insurers.

It may be assumed that several millions from among the 13½ millions who are now insured would withdraw if leave were given, but it is by no means right to assume that all, or even a majority would be worse placed by reason of their retirement. Many would retire because the particular insurance, which the framers of our law have imposed upon all, is not at all the insurance which they need, and because it endangers or actually destroys privileges which are of greater value to them. Others would withdraw because the insurance, even with the assistance given, is too costly for them. And a large number would retire simply because they know that their contributions will be too irregular to gain any of the allowances of the Act. These three groups would probably account for a large majority of the withdrawals, and in no case would a useful insurance be lost. To all of these persons voluntary insurance would be far more beneficial, for in some cases it would provide the benefits which are needed and now denied; in others it would give those for which they can afford to pay their share, and in no cases would it inflict the inexcusable cruelties of the present system which makes the hungry more hungry and offers them a doctor, which gives no hope of any payment to those who are frequently out of work, but nevertheless exacts the full contribution from these unfortunates for every week in which they do get work.

THE ONLY PERSONS BENEFITED BY COMPULSION.

It would be absurd to claim that compulsion succeeds and voluntary initiative fails in regard to all those who are now unwilling contributors; it is only for one particular section of them that this claim can be made, viz., for those who need the prescribed insurance, who are in moderately regular employment, who can afford to pay the fixed 4d. a week, and who are too improvident to do their part even when relieved of more than half the cost. Where any one of these conditions is not fulfilled compulsion fails or does far worse than fail. In each of the other groups, as well as among the twelve million working men and women who are not now insured, help without compulsion might claim a measure of success, and compulsion can claim none.

Are they many or are they few—these careless, thriftless persons, who are able to save themselves and their families from dependence on the rates but refuse to do their part even when substantial help is offered? It is not by those who have rightly gauged the character and the spirit of this people that a large estimate will be given.

However large or small this group may be, one thing is clear: It is the least worthy group in the whole community. Where, then, is the wisdom in framing national insurance legislation upon a principle which only fits a small fraction of the nation and that fraction the least worthy part? None can argue here, as Canon Blackley argued with such force more than thirty years ago, that compelling the thriftless to maintain themselves is the only way of relieving the provident from a far worse form of compulsion, viz., the burden of maintaining the improvident. This argument tells in the reverse direction when applied to an insurance which casts upon the provident a far heavier burden than that of Poor Law relief.

WHAT IT DOES FOR THIS GROUP.

And what, after all, does compulsion accomplish for the one group whom it helps? All that it does is to save from the stigma of Poor Law relief persons who by their own conduct have shown that this stigma has no horrors for them. It does not raise these thriftless persons to the level of the self-respecting majority; it tends rather to make them less self-reliant than before, and it leaves them as ready as ever to fall back upon charity or the poor rate. There is no such thing as "compulsory thrift," for submitting to a tax is not an act of thrift. A voluntary system, offering a strong incentive to thrift, might induce some of these weaker members to acquire that spirit of independence which is one of our greatest national assets.

But, say the compulsionists, it is not for these thriftless persons themselves but for their families that we have legislated; they must be saved from pauperdom even though the head of the family has no care whether they come to it or not. An Act which makes this its object, and thus tries to interfere in the affairs of the family, deserves for its folly the hatred it earns. An Act, which simply tried to make it easier for the struggling wife to contribute when she can, would not only deserve, but would win, an entirely different reception from a nation such as this.

WHAT IT DOES FOR THE OTHERS.

It cannot be too strongly pressed that it is only amongst those for whom Poor Law relief has no horrors that compulsion can claim any success which freedom does not give. The material

loss which it causes to the industrious and provident majority and the terrible injury which it inflicts on the struggling poor are surely in themselves enough to outweigh the doubtful advantages of forcing this least deserving group into the fold. And we must not forget the far weightier considerations in connection with its moral influences.

There is no fact which has been more completely established by experience than that the forcible inclusion of the unwilling and the improvident has an injurious effect upon the financial and actuarial stability of insurance and detracts from its power to help the willing insurers. The coerced contributor, who is an unwilling insurer, has no thought for the common good, no pride in the success of the lodge or society to which he belongs, and no shame in claiming what is not his due; his one aim is to get as much as he can from the fund to which he is forced to contribute, and he openly boasts of his successes. His presence perverts and debases the feelings with which the society or lodge is regarded by its members; it destroys the pride in keeping off the club and the spirit of true mutuality which the old voluntary system engendered. It is to this deplorable change, far more than to anything else, that we are forced to attribute the established fact that, with other conditions the same, a voluntary society can provide 15s. sick pay when a compulsory and State-regulated fund is unable to provide 10s. It is the honest, willing, and industrious insurers who suffer in their times of need as a result of this devastating innovation.

THE INTERESTS OF THE SOCIETIES.

It is opposed to the interests of the societies to retain these unwilling members, who are in every way a source of weakness—not of strength. The improvident who are forced to join add greatly to the cost of administering the insurance, for it is the presence of the unwilling insurer which necessitates most of the inquisitions and penalty clauses. Even in a great and well-administered society like the Hearts of Oak we find that in the State section more than one pound is now being spent on administration for every three pounds spent on benefit—while the voluntary side shows a very different record. It is the unwilling contributor who adds most to the cost of getting in the money and of testing and checking the claims; it is the effort to force him in which has brought central control, with its multitudinous regulations and interferences, in place of independence. It is compulsion which is sapping the vitality of the Friendly Societies and making them (save on the voluntary side) the puppets of a central bureau, charged with no higher duty than that of disbursing the allowances it prescribes and giving effect to the costly restrictions it imposes.

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These are facts which have already been appreciated by those who have the true interests of the Friendly Societies at heart, but the unforeseen influences upon the financial stability and upon the actual power to help, which voluntary initiative possessed, have yet to be learnt. Help without compulsion would give willing insurers in place of unwilling, and the societies would be able to advance along the good old road with the enormous incentive of subsidy to increase their numbers and their power to help, and with the further advantage of the security which audit and actuarial review would give to their promises and to their funds.

THE INTERESTS OF THE INSURANCE CORPORATIONS.

Some of the great insurance corporations have now entered the field as agents of National Insurance, and it is clear that they must be allowed to play their part in the system of the future. *To them it is even more important that the unwilling members should be weeded out.* Obviously it is not from those who are unwilling to take up an insurance of their own selection, of which they have to bear less than half the cost, that any additional business on the non-statutory side can be expected. A successful statutory side would undoubtedly enhance the prestige and the reputation of any insurance concern, but the greater the proportion of unwilling members the less will be its success. Again, it is clearly against the interests of the corporation to increase the cost of administering the statutory fund, and it is the unwilling contributor whose insurance is costly to manage both on the income and on the expenditure side.

There is another and a far more important reason which should commend a voluntary system to these corporations, viz., its options. Freedom of choice as to how the funds are to be applied opens up for them a vista of useful and successful work among the very classes with whom they most desire to be brought into contact—those to whom real foresight and thrift and the varied advantages which insurance can offer most strongly appeal. The directors of these great institutions can judge for themselves with what success they are likely to compete in such branches of insurance as age and invalidity pensions or provision for dependents. And, be it remembered, it is in every way to the good of the nation that they should succeed in these branches, provided the insurance, in so far as it is a subsidised insurance, is conducted upon purely mutual lines.

VII.—THE WOMEN'S SIDE.

The present scheme of insurance is almost a complete failure in so far as the working women are concerned, and in regard to nearly every group of them its failure has already been proved, and, to a large extent, admitted. *Help without compulsion would convert this failure into success.* In order to establish this most important proposition, it is necessary to consider the present position of each group of the thirteen million women to whom National Insurance should offer its help, and to see how a voluntary system would alter it in each case. The groupings adopted for this purpose are : (1) Married women who are not actually earners—about seven millions. (2) Women (married and unmarried) who work for a living, but are not "employed" within the meaning of the Act—about two millions, if we include those who work at home without regular pay. (3) Employed women who obtain board and lodging from their employers—over two millions. (4) Employed women (married and unmarried) who live at home—under two millions.

(1) MARRIED WOMEN—NON-EARNERS.

To those who have been insured before marriage, the present Act offers a much reduced insurance of similar pattern to that which it provides for other insurers; the contribution required is the full 3d. a week, but the assistance given is only about a penny a week, and a very small proportion of those who are eligible appear to find this offer attractive. For the other married women nothing is done; and yet the wives of working men are at least as much in need of medical attendance as their husbands, and they are exposed to a risk of greater consequence than any, and of a sudden and overwhelming nature, against which the poorest are helpless to provide, but for which the aid of insurance is invoked more frequently than for any other risk in every class of the community possessing any ability to pay a premium.

This risk of widowhood is strangely and wonderfully neglected by our present law, and that little which is done is done at the cost of the women's funds. It is to the funds compiled by her own efforts before marriage and after her husband's death that the widow has to look for assistance in maintaining herself and her children. As a natural consequence, this assistance is utterly inadequate, and, poor as it is, it is only a small minority of the widows who will be able to claim it. For those who can claim it, the Act provides its 7s. 6d. or 5s. a week for five weeks of the year while they are between 55 and 65 years of age; for ten weeks while between 65 and 70; for the rest of the time they must not only maintain themselves, but contribute to the funds. A society of women which attempts to improve upon these averages simply becomes insolvent.

The principle that National Insurance should assist and subsidise the husband's efforts to provide for his possible widow and orphans is in no way recognised in this Act. Neither the unmarried men, the married men, nor their employers are called upon to help, and all that the State does is to add a small quota to the funds provided by the women and their employers. Voluntary insurance could deal with this on different lines; it could offer special subsidies to those men who made any efforts to provide support for their dependents; it could not, nor is it desirable that it should, offer two full subsidies to a married couple; an additional half subsidy would cover the two essentials now neglected—medical attendance and support in case of widowhood (accompanied by incapacity for self-support).

INJUSTICES WHICH MUST BE REMOVED.

The daughter who has had to work at home before marriage, and has for this or other reason been debarred from the insurance, is not given any assistance during married life or during widowhood under the present law, unless she subsequently becomes, and continues to be, an actual wage-earner. The same is true of the women married before the Act, and of many others whose employment before marriage is not such as to bring them into insurance.

The wife who supports, or helps to support, the family by taking in washing or sewing, or by letting lodgings, gets no help at all, even though she may be willing, and able, to pay the double contribution exacted from the voluntary contributor of the Act.

The widow who is able to obtain regular employment gets such assistance as the Act offers. But the widow who, on account of age or other cause is unable to obtain regular work, gets no help, and actually forfeits such insurance fund as she has previously compiled; she has to see it go to help the younger, less-encumbered, or more able-bodied women who can get work.

These and other injustices are as impossible in a voluntary scheme as they are inevitable under compulsion. By simply adopting the principle of freedom and equal rights for all they are completely swept away. The same help is then offered to the married woman who takes in washing as to one who goes to the mill; the husband who wishes to set up an insurance for the benefit of his wife will be helped, whether she went out to service before marriage or had to stay at home to tend an invalid or to fill the place of mother; and the widow who is old and infirm will get more help, not less, than the widow who is young and able to work.

(2) WOMEN WORKING FOR A LIVING, BUT NOT "EMPLOYED."

The number in this group is hard to determine, but two millions may be taken as the most probable estimate. To many of

them the voluntary side of the present Act is open, provided they are not married; but scarcely any are benefited by the offer. This voluntary side is a total failure, because it only offers the most paltry assistance—rarely great enough to bring the value up to that which can be obtained outside the Act, where liberty to select the kind of insurance which is most useful is a far greater advantage than the penny a week which the State promises to add (and it does not average more than a penny on the voluntary side). The Act claims to give 8d. for 3d. to the woman who is in regular employment, but it does not profess to give more than 7d. for 6d. to any of the many other women who are working for their living.

It would be hard indeed to justify this unequal distribution of the great funds which are raised to help the workers to insure. It is compulsion, and the desire to make it popular, which has brought it about, and which directs all the extra millions which are being voted each year to attempts to remove the opposition of those who are forced to contribute, and which refuses the smallest share of these great funds to any of those hard-pressed and struggling workers who get such a far smaller share of the millions previously voted.

Denmark has shown that voluntary insurance even with a much smaller subsidy than that which we could offer, can attain great success among the working women who are not actually wage-earners.

3. EMPLOYED WOMEN HOUSED BY THEIR EMPLOYERS.

This group includes domestic servants to the number of over a million and a half, viz., those who work in houses and establishments where more than one are employed; it also includes a large number of shop assistants, sick nurses, governesses, matrons, and other salaried women. The distinguishing feature of this group in connection with insurance is that in most of their sickness the employers provide full salary or wage, and board and lodging as well, while in serious or infectious illnesses hospital or other accommodation is found for them. More than half of the women at present insured are not really in need of a sick-pay insurance, for even in those few cases where they do go home to be nursed it is probable that their earnings have provided sufficient reserves to cover the temporary needs. To a smaller extent, medical attendance has also been provided in the past, while, for the great majority of this group (viz., the unmarried), the provision of maternity insurance is simply an insult. These women, when insured apart from others, make about half the expected sickness claims, and it is probable that much of the sickness and medical benefit which they do now obtain is simply relief to their employers. The statutory list of benefits prescribed for them is, therefore, a

most inappropriate insurance. The chief insurance which they really need is an annuity insurance claimable when they can no longer earn a living, and applying during widowhood if they marry. For this the fund is amply sufficient—at any rate for the younger half—but the Act has barred its being so applied, for the limited permission granted in Section 13 has proved itself to be quite useless.

(4) EMPLOYED WOMEN WHO LIVE AT HOME.

This group includes the industrial and agricultural workers and many of the shop assistants, and it is necessary to class with them about a quarter of the domestic servants, viz., those who work where only one is employed. These women all need the sickness benefit which the present Act provides, and although they form numerically the smallest of the four groups, into which the working women are here divided, the present scheme appears to have been designed to help them, and them alone. And yet it is in regard to this group that the failure of the present insurance is attracting most attention. The reason is that it has already been acknowledged that the scheme cannot provide for them as much as half the allowances which it has given out to be its minimum. Their societies are running rapidly into bankruptcy because the sickness claims are double or treble those which the funds are designed to cover; and the position will be far worse when the disablement claims mature.

Thus the four million women who are now insured fall into two groups, of approximately equal numbers, but with needs in the matter of insurance so utterly different that no fixed and rigid scheme can, with any success, be applied to both. The failure of the present law is of a totally different character, and arises from totally different causes, in these two cases, but failure it is for the present in regard to every class of women. In course of time a modified success will be attained in those few societies where the membership is confined to domestic servants or to nurses, for at present these societies are far more than solvent, and their surpluses will eventually go some way towards providing the insurances which are needed. But, unfortunately, most of the women who do not need the sickness insurance have been induced to enter the societies which are open to all women insurers, where their surpluses are serving only to modify the insolvency of the common funds, and where there is no hope of any disablement or age pensions ever being provided.

THE REMEDY.

Help without compulsion would impose no useless or harmful exclusions, and it would allow the societies to regulate (subject to reasonable supervision, and possibly a few limitations), the applica-

tion of all the subsidised funds. In the first three groupings it is easy to see how this would operate to solve the present troubles—it would offer for the first time the insurances which are really needed. Women cannot afford to disregard the years when employment will fail, for they come to them much sooner than to men; their efforts to save are surely proof enough of their willingness to do their part, and help to convert these savings into secure and adequate allowances in the years when such support is needed has never yet been offered in this country.

In regard to the fourth (and smallest) group the solution which voluntary insurance provides is less obvious. When compulsion in all its forms is abolished the societies would have power to arrange their benefits in such manner as to serve best the needs of their members, and they would soon learn that, even where sick-pay is a necessary part of the insurance, it is easy so to regulate its scales that the allowances never exceed some appointed proportion of the ordinary earnings, and that when this is done ample income is left for other benefits. No one can really suppose that the statistics of insurance for the two classes of insured women are a true reflex of the amount of sickness actually prevailing : to do so would be to believe that the two million women who go out to work in factories, on the land, etc., suffer at least six times as much illness as other employed women. It is by no means suggested that the women who live at home and go out to work are habitual malingerers, but only that we must recognise the patent facts, that home has calls for them which are often hard to resist, that 7/6 a week is in many cases too good a substitute for the sums they can earn outside for them to disregard the calls and duties of home, that it is easier for them than for men to obtain the necessary certificates, and that compulsory insurance has planted in them a not unnatural desire to get an adequate return for the sums they are forced to pay. To those who recognise these facts the remedy referred to above suggests itself : it is a solution which no central regulations can apply without giving rise to grave injustice and widespread discontent; but it is one which the societies, acting as free agents, can manage with success, for they can control and adjust it as circumstances demand.

VIII.—THE MEDICAL BENEFIT.

The present provisions in regard to medical benefit are so far from being satisfactory to the contributors, and so clearly opposed to the best interests of the medical profession and of the friendly societies, that it is easy to prophesy that, whether our system of insurance remains compulsory or becomes voluntary, very great changes will have to be made in this part of the scheme, and that, whatever system or systems eventually emerge, the present plan as it stands is not likely to be one of them. Many schemes have been tried and reported upon during the last 30 years in Germany and elsewhere, and there is a large amount of collected experience of the most useful kind now ready to our hands, but as yet we have made no attempt to use it. Obviously, the first step to take in the direction of amendment is to let a competent and impartial Commission consider the advantages of the several systems and variations which have been tried, weigh the representations which the several parties interested in the matter wish to make, and report the result of their investigations.

TROUBLES CREATED BY COMPULSION.

If we review the chief troubles and grievances which at present exist, it will be seen that most of them are actually created by compulsion or are the direct results of legislative interference between the contracting parties, and that a system which provided funds as great as those at present available, but did not attempt to coerce, would automatically remove many of these difficulties and would greatly facilitate the solution of others. There is perhaps no subject in which greater proof has been given of the fact that free initiative can succeed where central regulation fails. It is just in proportion to the intimacy and the complexity of the problems with which social reform is confronted that the truth of this principle is being established, and it is small wonder, therefore, that in this most complex and intimate problem of all, experience is showing much better results where, along with the help, a large measure of freedom and control is given to those upon whose goodwill and co-operation the success of the system must depend.

THE VALUE OF THE PRESENT BENEFIT.

It is necessary to appreciate what extremely limited results the present medical benefit actually compasses. It places most of the insured upon the books of doctors who can only afford to give a few minutes apiece to examining, treating, and prescribing for those who come to wait their turn at their consulting rooms. The doctor, who is the chosen adviser of many, has to make his hasty diagnosis and to hand out his ready-made prescriptions, under pressure of the knowledge that he must maintain this average pace, if he is to attend to all who are waiting for his help.

Is he to be blamed if he simply prescribes for the symptoms which are hurriedly and inefficiently described, and if he often fails to recognise the real cause of the trouble? He can hardly be expected to make the examinations by which alone the inception of some of the more serious troubles can be disclosed, or to give the appropriate treatment except in the simpler cases. Sometimes in the short time at his disposal he has also to consider whether he should certify incapacity for work, and to make out the necessary form.

The present medical benefit only provides treatment for the simpler illnesses of the insured, his most serious troubles are expressly excluded; it does not help him to gain admission to a hospital or to a convalescent home; for his family it does nothing whatsoever; surgical treatment is for the most part excluded from the contract, and so is treatment for troubles of the eyes or ears; the medical and surgical appliances which were promised do not include those of greatest importance to the insured, for trusses, elastic stockings, crutches and many of the things most commonly needed are expressly forbidden by the regulations. And a clever system has been invented for keeping the cost of medicines within the narrow limits prescribed, and of avoiding the prescription of costly drugs; the doctor with 2,000 patients gets an extra £50 a year if he can keep his chemists' bills down to eighteen pence a case.

The words of the Act by no means suggest these limitations. It speaks of "adequate attendance and treatment," of "proper and sufficient medicines," and of "such medical and surgical appliances as may be prescribed" by the regulations. The descriptive statements which were added by the author of the Act did not tend to decrease the impression of completeness which these simple words conveyed. The medical benefit provided by National Insurance in other countries is by no means such a limited or inadequate thing; on the contrary it goes far to include the necessary institutional treatment; in almost all cases it gives proper attendance in major as well as minor disorders, including surgical operations, etc.; it usually provides the assistance of an appropriate specialist where diagnosis or treatment is difficult; it embraces most, if not all, the surgical appliances which are ordinarily needed, and in some cases it extends to the families of the insured. How comes it that, although the funds we have provided are well up to, if not above the average, our insurers obtain such far poorer results?

WHY THE PROMISES HAD TO BE REDUCED.

The answer is that in regard to this matter our compulsionist reformers have been caught in the net of their own compulsion. They specified what they contracted to do for the mil-

lions who were to be forced into the contract, without taking the ordinary precaution of ascertaining the cost of that which they promised to supply; and when the time came to perform their part of the contract, they found it necessary to cut down their specification very materially, and also to appropriate portions of the funds provided for the performance of other contracts. They had assumed that a very small increase on the contract rate for which the doctors had been willing to give limited attendance to four or five million club members, would induce them to give full attendance to about three-quarters of the earning population, but they found that it needed nearly double this sum to obtain a limited attendance, and that this limited attendance alone absorbed more than they had provided for full medical and surgical treatment, for medicines, for medical and surgical appliances, and for sanatorium benefit all taken together. In order to provide a mere shadow of that which had been promised it was necessary to impoverish the funds provided for sanatorium treatment and for drugs and surgical appliances, and at the same time to make a temporary grant of nearly two millions a year from the Exchequer.

It is the compulsory application of a uniform contract rate, and not the greed of the doctors, which must be blamed for this great reduction of the promises. The doctors were told that they had to treat, at a flat rate of charge, nearly three-quarters of the earning population, including millions of persons earning over £100 a year, and some earning over £200. In many districts this meant applying the contract rate to most of those who had in the past been able and willing to pay reasonable fees for the work done. With this extension they could not afford to accept a small increase on the old club rate; and indeed it was no increase which was at first offered, for in the old club practice they knew that it was only 60 per cent. to 70 per cent. of the members who would come to them, and that therefore the club rate of pay was worth about 50 per cent. more than its face value.

Ireland has escaped this wasteful interference of the law in the arrangement of a private contract, but in the rest of the United Kingdom every insured person has to devote a third of the total fund available for his insurance to medical benefit. (N.B.—9s. 5d. a year is rather less than a third for a man, but rather more than a third for a woman.) There is no escape; the full sum is appropriated whether the earnings of the insured are five shillings a week or five pounds; even when there is no money for other benefits this one has to be paid for. This forced uniformity is one of the most injurious of the items of compulsion which a voluntary system could remove. It damages all classes of insurers; for the millions who had voluntarily insured in the past it provides, at double the cost, treatment which is little, if any, better,

than that which they formerly obtained. Let us see what it does for the other insurers.

HOW IT WASTES A THIRD OF THE POOR MAN'S FUND.

For the poorer insurers this compulsory flat rate involves in every case great waste, and for some millions of them it means that a third of the money available for their benefit is expended upon giving them at the hands of the panel doctor the same treatment as they received without charge from the district medical officer; in many cases it will be the same doctor, and there is no reason to suppose that the attendance or the medicines will be any better. They have still to go to the parish doctor when they need a truss or an elastic stocking, and it is still to him that they have to look for attendance on their families; if they need surgical treatment, or if they are attacked by any of the most serious or dangerous disorders, the hospital or the Poor Law infirmary is still their only hope. Is it not obvious that the large sum taken from the insurance fund is wasted money in so far as these millions are concerned? The recent Act entirely ignores the existence of the previous enactments which have provided a salaried medical officer for each district throughout the country, and it would surely have been wiser to co-ordinate our existing laws than to ignore them. These laws already recognise the principle that medical aid should not involve pauperisation, and it would need but a small change to sever from the Poor Law this medical service which has already been provided, and to make of it a satisfactory service for those who cannot afford a heavy draft on their insurance funds. As things stand, the medical benefit, which is of so little advantage to the poor, has to be paid for even when the fund is insufficient to provide any sickness, disablement or maternity money; it and the sanatorium benefit are what the present system provides for those whose employment is irregular.

A STRONG CONDEMNATION OF RIGID COERCION.

When we turn to those who are in better circumstances, we find that none are allowed, even by extra payment, to improve upon this contract doctoring. There are millions of persons who would prefer to make their own arrangements for medical attendance, and there are many who already have it provided for them by their employers; they have either to take this benefit as it stands or let the money go. In London alone there are over 300,000 insured persons who do not avail themselves of the benefit, allowing a third of their insurance income to be unproductive; it would hardly be possible to conceive a stronger condemnation of the folly of making Parliament direct how the money is to be spent. More than a third of the fund available for the insurance of each hospital nurse is being withdrawn to provide a medical

benefit far inferior to that which she has; and this is by no means a solitary example of the foolish injustice which this phase of the coercion involves.

SYSTEMS WORTHY OF CONSIDERATION.

The contract system has great advantages in many cases; it frees the insured persons from a strain which would otherwise fall upon them at or after the times when sickness has reduced their earnings and increased their needs; and it relieves the doctors from the odious task of collecting fees from the neediest of their patients, substituting payment by the quarterly cheques of responsible bodies. Voluntary insurance would do nothing to oppose the application of this system wherever it is desirable; on the contrary it would do much to aid its more successful working. But it would not impose it by force on those who prefer to make their own arrangements, nor would it attempt to impose it upon the doctors, where the ordinary system of payment is more appropriate and productive of better results.

Is there any possible advantage in refusing to allow the amount provided by the insurance funds to go in part payment of the doctor in such cases? Experience has shown that combinations of the contract and private practice principles can produce excellent results, and that the insurance system can in such cases do much to assist both the doctors and their patients, provided freedom and elasticity are allowed to govern its arrangements. Where an insurer wishes to arrange for the proper treatment of himself and his family by the doctor he has selected, the insuring agency can guarantee a part of the payment, or by arranging a special scheme of contribution it can guarantee the whole payment.

Experience has also shown that much good can result from direct and collective negotiation between insuring agencies and local associations of medical practitioners. Other advantages of the greatest importance are to be gained by encouraging the formation of these voluntary local associations. The doctors are willing to give free services in the matter of supervising the treatment rather than submit themselves and their professional work to any form of lay control. They are unquestionably the most competent judges, and it is by no means to be assumed that they would discharge their functions with undue leniency.

That great danger which attends any system giving free choice of doctor—the tendency towards laxity or over-complacency in certifying claims upon the sickness funds—can probably be held in check by the help of such associations more effectively than by any other means. No arbiters would be so competent or so ready to check a disposition to attract insured patients by

this means, as the men who would suffer in their reputation, as well as in their personal interests, by allowing it to extend; and there does not appear to be any reason why the societies should not avail themselves of such assistance in guarding their funds against one of the greatest risks to which they are exposed.

The conclusions to which these considerations lead are, that full inquiry is urgently demanded, that none of the parties interested need fear the result of such inquiry (excepting, possibly the overloaded panel doctor who is profiting at the expense of his colleagues), and that the principles of rigid uniformity and compulsion must be abandoned.

APPENDIX.

The following table contains the official figures of the Danish and German Insurance. (i.) In regard to proportion of population insured; (ii.) in regard to sickness experience.

The Danish figures are published in the "Sygekasseinspektorens Indberetning til Indenrigsministeriet" (C. Th. Thomsens, Copenhagen) and the German in the "Amtliche Nachrichten des Reichsversicherungsamts" (Behrend and Co., Berlin).

Year.	DENMARK.			GERMANY.		
	Numbers of Insured per cent. of the population over 15 years old.	Days of Sickness per Member, and per year.		Number of Insured per cent. of the entire population.	Days of Sickness per Member, and per year.	
		Men.	Women.		Men.	Women.
1885 ...				9·2	5·9	5·7
6 ...				9·7	5·9	5·3
7 ...				10·1	5·7	5·2
8 ...				11·2	5·6	5·1
9 ...				13·4	5·5	5·1
1890 ...				13·8	6·1	5·4
1 ...				14·1	6·0	5·6
2 ...				13·9	6·3	5·7
3 ...	7·9	6·2	5·5	14·9	6·6	6·2
4 ...	9·1	6·1	5·4	15·1	6·1	5·7
5 ...	10·4	6·1	5·2	15·3	6·3	5·9
6 ...	11·8	5·5	4·8	16·0	6·0	5·8
7 ...	13·1	5·8	5·1	16·6	6·2	6·1
8 ...	14·8	5·3	4·7	17·2	6·0	6·2
9 ...	16·8	5·7	5·0	17·6	6·6	6·6
1900 ...	18·8	5·6	5·1	18·0	6·9	6·7
1 ...	20·3	5·5	4·8	18·1	7·0	6·7
2 ...	22·2	5·3	4·5	18·2	6·9	6·7
3 ...	24·0	5·4	4·6	18·6	7·0	7·2
4 ...	25·7	5·2	4·4	19·2	7·6	8·2
5 ...	27·7	5·4	4·8	19·6	7·8	8·2
6 ...	29·7	4·9	4·3	20·3	7·3	8·0
7 ...	31·6	5·2	4·6	(*)	7·9	8·3
8 ...	33·6	5·2	4·6	20·8	8·4	8.6
9 ...	35·5	5·0	4·5	21·0	8·2	8·4
1910 ...	36·5	4·8	4·4	21·6	7·8	8·5
1 ...	39·0	4·9	4·5	22·2	8·2	9·0
2 ...	41·0	4·9	4·4	21·3	8·3	9·0

* The figure cannot be given for want of the returns of the "Kneipschafts-Kassen."

NOTES.

NUMBERS INSURED.

1. This table compares the numbers insured with the population *over the age of 15* in Denmark and with the *entire* population in Germany. The reason for this is that in the former case a full health insurance is provided for the children of insured persons—viz., medical treatment, hospital and sanatorium accommodation, and medical and surgical appliances—this applies if either parent is insured: in Germany the children are not included. The figures in the first and fourth columns are therefore the best that can be taken for purposes of comparison, being (approximately) the actual proportions of insured persons in each case.

2. Up to the latest return, the Danish figures maintain their highest rate of increase, and it is apparently fair to assume that at the present time about 45 per cent. of the population are insured.

3. Recent legislation has made an important extension in the German compulsion, bringing it up to a level with that of our own Act. It is estimated that this will increase the number of insured persons to 33-34 per cent. of the population.

4. The Danish figures may be taken to give a fair indication of the effect of State aid (unaccompanied by compulsion) in extending the provision of insurance against sickness; for it cannot be said that they apply to a population more desirous of insurance than our own, because prior to the advent of State aid a smaller proportion of the population had insured in Denmark than in Great Britain.

5. The inducement offered in Denmark consists, roughly speaking, in the addition of 5d. to each shilling contributed by the insurer, and in the provision of some greater facilities in the matter of hospital accommodation. The help we have voted admits of an addition of about 15 pence to each shilling contributed. Therefore, without compulsion, we have a much more potent inducement to offer.

6. The Danish subsidy greatly exceeds that which we at present offer on the voluntary side of our insurance system: it is at least three times as great, and it is not accompanied by the restrictions and conditions which make our offer, in most cases, less advantageous than those which are obtainable apart from the Act.

SICKNESS EXPERIENCE.

1. The initial rate of claim is slightly higher in Denmark than in Germany, but the latest returns show the German rates to be in excess by about 80 per cent. in the case of men and by about 100 per cent. in the case of women.

2. The notable fact that in Denmark women show a lower rate than men is to be attributed to the systematic discouragement by the Danish administration of the provision of sick pay for women who are not dependent or wholly dependent on their own earnings.

N.B.—We have already experienced extraordinarily high rates of claim among certain classes of women—viz., among those who work at home or live at home and go out to work—whereas, where the experience relates only to women who live and work out, the rates are extraordinarily low—even lower than the Danish rates. The Danish experience indicates that we should not attribute this wide difference solely or chiefly to a greater amount of sickness in the one class than in the other, and that the difference is to a large extent explained by the fact that those women who live at home and are not wholly dependent upon their own earnings would be more than human if they could resist the calls which home makes upon them, and the temptation of an allowance often as great as what they earn by going out to the mill, to the shop, or to the fields.

3. The fact that in the one case the rate has gone down, while in the other it has rapidly advanced, must apparently be attributed to the different influences and to the different systems of administration which the voluntary and compulsory systems respectively set up. No other explanation can be maintained, at any rate in regard to men.

The progress of the figures is a matter in which the one set is in every way fairly comparable with the other. In order to compare either with our own Friendly Society experience a number of special facts would have to be taken into account, but that is not a comparison with which we are concerned.

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